Goldman Sachs

Overview of Goldman Sachs

October 2014

Cautionary Note on Forward Looking Statements

Today's presentation may include forward-looking statements. These statements are not historical facts, but instead represent the Firm's belief regarding future events many of which, by their nature, are inherently uncertain and outside of the Firm's control. It is possible that the Firm's actual results and financial condition may differ, possibly materially, from the anticipated results and financial condition indicated in these forward-looking statements.

For a discussion of some of the risks and important factors that could affect the Firm's future results, see "Risk Factors" in Part I, Item 1A of our Annual Report on Form 10-K for the fiscal year ended December 31, 2013. You should also read the forward-looking disclaimers in our quarterly earnings release, particularly as it relates to estimated capital, liquidity, and leverage ratios, risk-weighted assets, total assets and global core excess liquidity, and information on the calculation of non-GAAP financial measures that is posted on the Investor Relations portion of our website: www.gs.com. The Supplementary Leverage Ratios is an estimate based on our current interpretations, expectations and understanding of the U.S. Federal Bank regulatory agencies' Final Rule.

The statements in the presentation are current only as of its date – October 16, 2014.

Key Credit Strengths

Well Positioned with respect to Regulatory Captial Ratios

- The firm is well-positioned for Basel III capital requirements with a 3Q14 Common Equity Tier 1 ratio of 11.8% under the Advanced approach on a transitional basis
- Our gross leverage is 10.6x as of 3Q14
- In addition, the vast majority of our balance sheet is marked to fair value which means our equity reflects market value

Best in Class Liquidity Risk Management

- We have in place a comprehensive set of liquidity policies that allow us to maintain significant flexibility to address both GS-specific and broader industry or market liquidity events
- Our two major liquidity and funding policies are based on the core tenets of:
  - **Excess liquidity** refers to always having enough cash or cash-like instruments on hand to meet contractual and contingent outflows in a stressed environment
  - **Asset-liability management** refers to having a liability profile that has sufficient term and diversification based upon the liquidity profile of the assets
- The Basel Liquidity requirements are broadly consistent with how GS manages liquidity risk and under the new rules, we believe we are well positioned for the Liquidity Coverage Ratio

Substantial Excess Liquidity

- A substantial portion of our balance sheet is highly liquid and we maintain significant levels of excess liquidity. We call this pool of excess liquidity the Global Core Excess or “GCE”
  - GCE ended 3Q14 at $180 billion, representing 21% of our period end balance sheet
  - GCE is comprised of cash, high quality and narrowly defined unencumbered assets including U.S. Treasuries and German, French, Japanese and United Kingdom government obligations
  - GCE is sized well in excess of our near-term contractual and contingent outflows
- As a BHC, access to the Fed as the lender of last resort provides additional liquidity protection, although we do not rely on this funding in our liquidity planning and stress testing

Key Credit Strengths (cont'd)

Conservative Asset Liability Management

- Our principal objective is to fund our balance sheet and run the firm with the ability to weather stressed market conditions without dependence on government support
- Balance sheet comprised of highly liquid assets[1]
  - Vast majority of assets marked-to-market daily and ~93% of the balance sheet is liquid (cash, reverses / borrows, US government/agency and other financial instruments) as of 2Q14
  - Businesses subject to conservative balance sheet limits that are reviewed regularly and monitored daily
- Liability term structure – we seek to have long-dated liabilities to reduce our refinancing risk
  - WAM[2] of approximately 8 years as of 2Q14 for long-term unsecured borrowings
  - WAM > 120 days for secured funding as of 2Q14 (excluding funding collateralized by highly liquid securities that are eligible for inclusion in our GCE)
- We maintain broad and diversified funding sources globally
- Counterparties well distributed throughout the U.S., Europe, and Asia

Strong Asset Quality

- The balance sheet stands at $869 billion as of 3Q14, up $9 billion vs. 2Q14 and down 22% vs. 4Q07
- Our asset quality has substantially improved since 4Q07 as our balance sheet reductions targeted less liquid, legacy exposures such as Level 3 assets
  - Level 3 assets are down approximately 41% since the end of 4Q07 to $41 billion and represent roughly 4.7% of our balance sheet as of 3Q14

Diversified Global Business with Profitable Track Record

- From 1999-2013, net revenues have grown at a compound annual growth rate of approximately 7%
- Average annual ROE from 1999-2013: 17.6%
- Our diversified business model allows us to outperform through cycles
  - Although our FICC and Equities Client Execution businesses averaged 43% of net revenues from 2009 through 2013, this encompasses various products, markets, and regions designed to serve our global client base, which includes corporations, financial institutions and governments

[1] Excludes sum of Level 3 and Other Assets
[2] WAM stands for Weighted Average Maturity

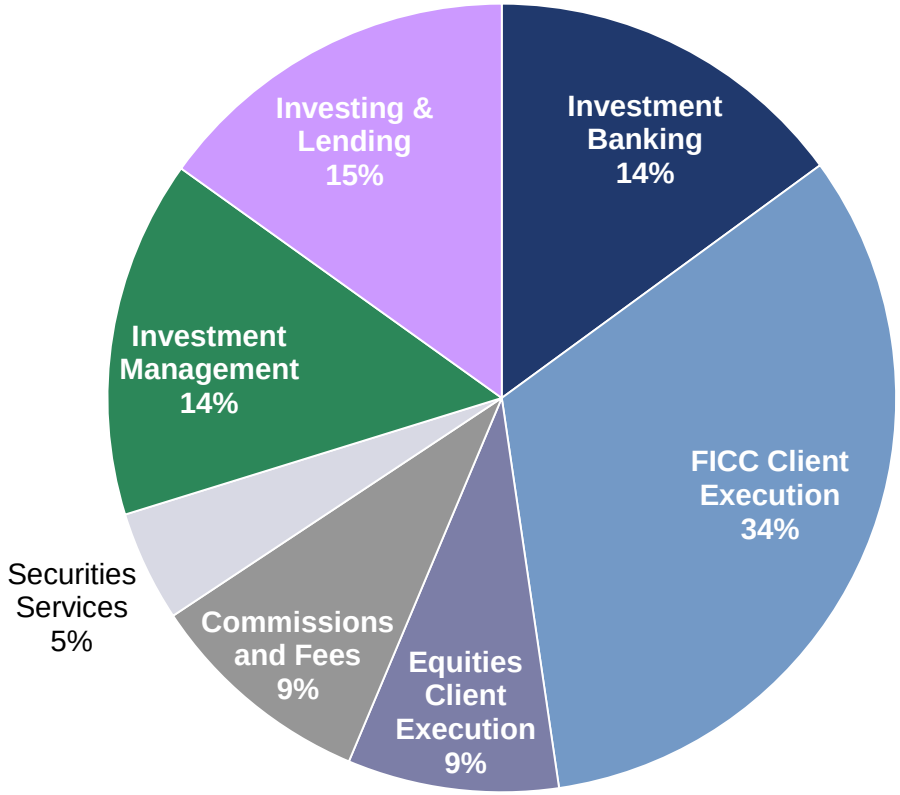
Goldman Sachs' Credit Profile

Credit Ratings as of October 16, 2014

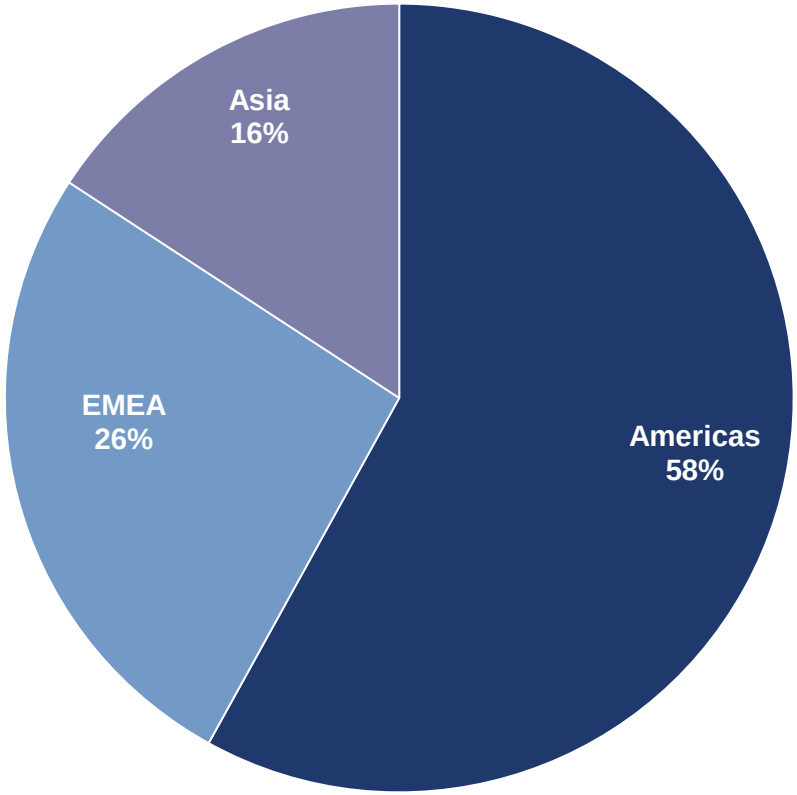
	S&P	Moody's	Fitch
GS Group Inc.			
Short-term debt	A-2	P-2	F1
Long-term debt	A-	Baa1	A
Outlook	Negative	Stable	Stable
GS & Co.			
Short-term debt	A-1	—	F1
Long-term debt	A	—	A
Outlook	Negative	—	Stable
Goldman Sachs International			
Short-term debt	A-1	P-1	F1
Long-term debt	A	A2	A
Outlook	Negative	Stable	Stable
Goldman Sachs Bank USA			
Short-term deposit	—	P-1	F1
Short-term debt	A-1	P-1	F1
Long-term deposit	—	A2	A+
Long-term debt	A	A2	A
Outlook	Negative	Stable	Stable
Goldman Sachs International Bank			
Short-term deposit	—	P-1	F1
Short-term debt	A-1	P-1	F1
Long-term deposit	—	A2	A
Long-term debt	A	A2	A
Outlook	Negative	Stable	Stable

Diversified Net Revenue Mix

By Business 2009-1H14



By Geography 2009-1H14

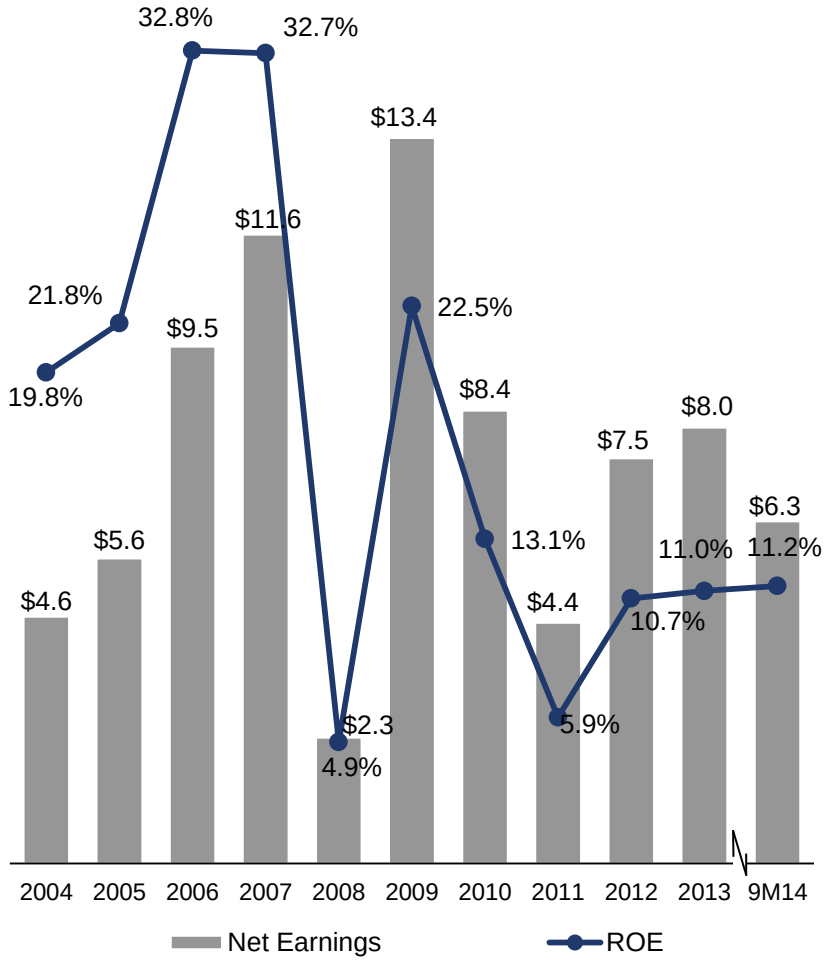


Our continued goal is to have the leading institutional franchise businesses

Financial Performance

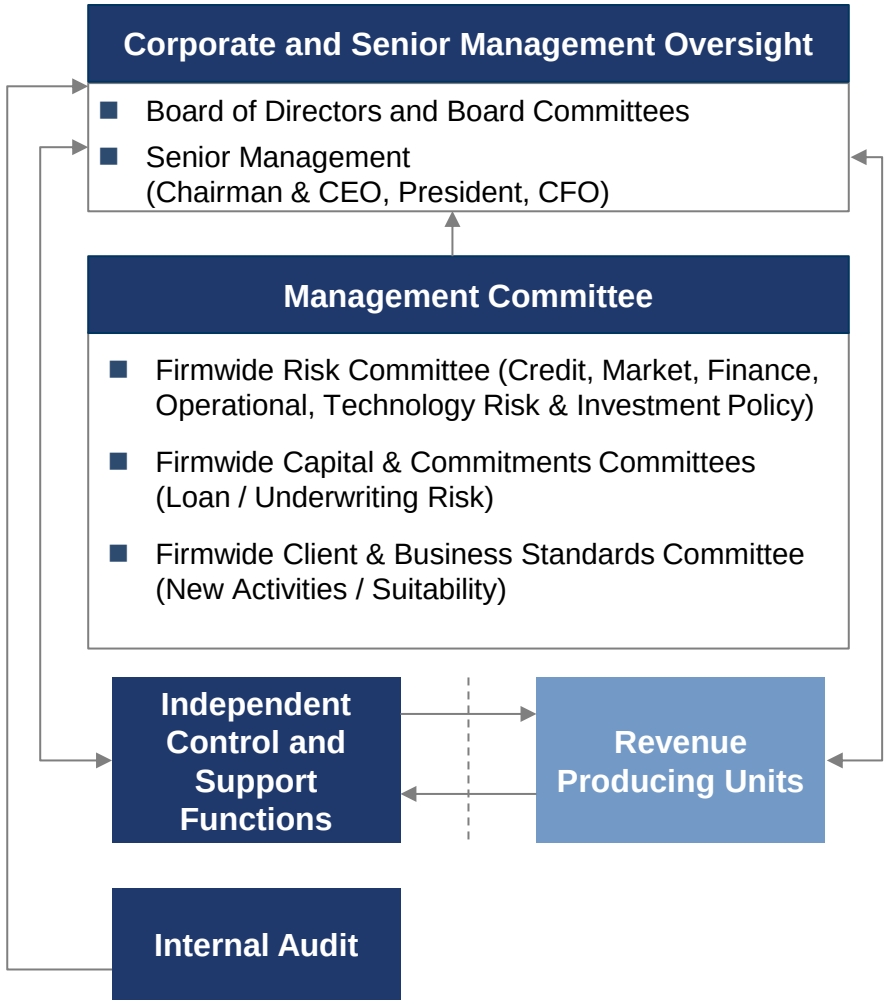
Net Revenues ($bn)

Net Earnings ($bn) & ROE[1] (%)



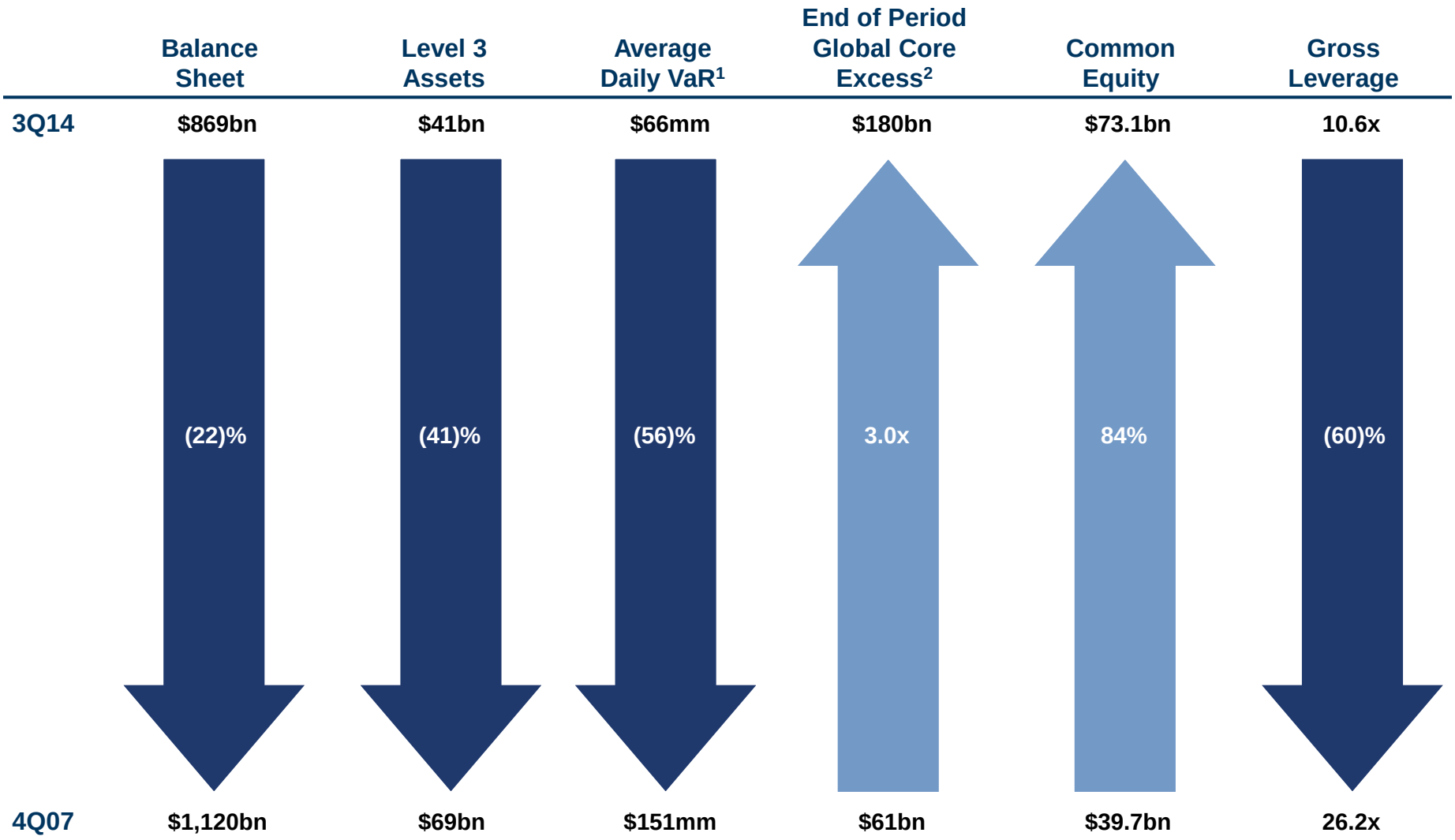
[1] *Return on Common Shareholders' Equity. ROE for 2010 excludes $465mm related to the U.K. bank payroll tax, $550mm related to the SEC settlement and $305mm related to the impairment of the firm's NYSE Designated Market Maker rights; If these items are included, our 2010 ROE was 11.5%. 2011 ROE excludes the impact of the $1.64 billion preferred dividend relating to the redemption of the firm's Series G Preferred Stock; If this item is included, our 2011 ROE was 3.7%*

Our Risk Philosophy



- Senior management awareness of nature and amount of risk incurred
- Independence of process from the business
- Fair value accounting is a critical risk mitigant and is supported by a robust price verification process
- Minimize losses and manage risk through:
  - Active management
  - Risk mitigation, where possible using collateral
  - Diversification
  - Return hurdles matched to underlying risks
- Overall risk tolerance established by assessment of opportunity relative to potential loss
  - Qualitative and quantitative analysis, but not a specific formulaic link
- Variety of approaches used to monitor risk exposures
- Effective risk systems, which are thorough, timely and flexible
- While we manage risk conservatively, we are in a risk-taking business and will incur losses

Managing Our Risk



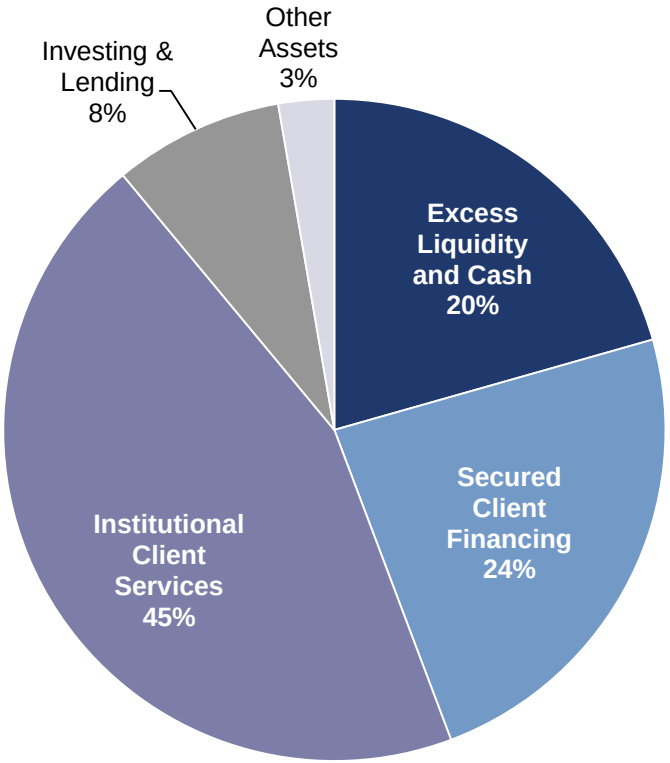
[1] *Represents average daily VaR for the quarterly period*
[2] *Includes balances at GS Bank. Period end 4Q07 GCE reflects loan value and period end 3Q14 GCE reflects fair value*

Balance Sheet

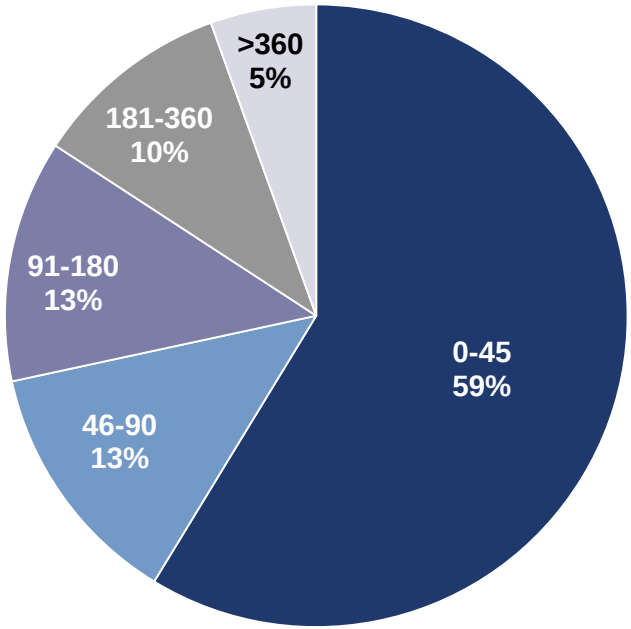
Overview

- Balance sheet comprised of highly liquid assets with the vast majority marked-to-market daily
  - As of 2Q14, approximately 93%[1] of the balance sheet is more liquid (cash, reverses / borrows, US government/agency and other financial instruments)
- Businesses are subject to conservative balance sheet limits that are reviewed regularly and monitored daily, including aged inventory limits

2Q14 Balance Sheet Allocation



2Q14 Inventory Turnover (days) [2]

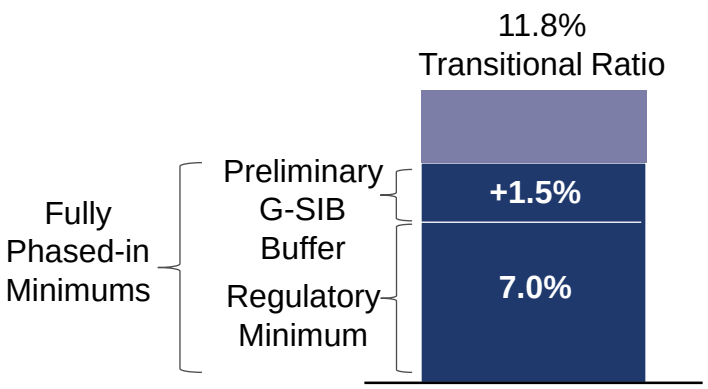


[1] *Excludes Level 3 Assets and Other Assets*
[2] *Reflects turnover on cash inventory primarily held by our market-making businesses within our Institutional Client Services segment; excludes derivatives*

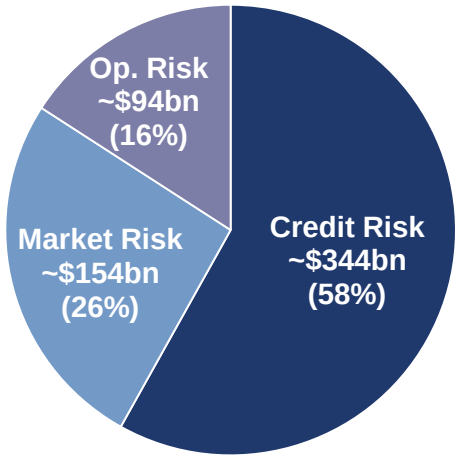
Regulatory Capital Ratios

3Q14

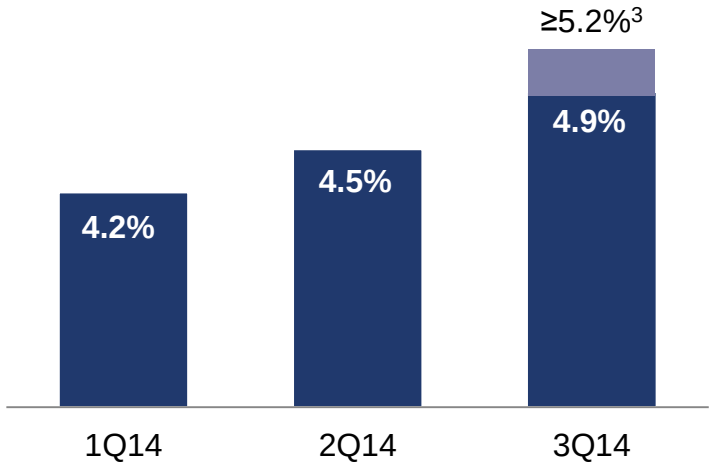
Basel III Common Equity Tier 1 Ratio Advanced Approach[1]



2Q14 Basel III Advanced Approach RWAs: ~$592bn[1]



Firm Supplementary Leverage Ratio (SLR)[2]



- Our Basel III Common Equity Tier 1 ratio as of 3Q14 under the Advanced approach was 11.8%[1] and 11.1% under the Standardized approach, both based on the transitional provisions provided by the rules
- With regard to the SLR, although the final rule will not take effect until 2018, we believe we are well positioned to comply
  - Including the capital impact of reducing the firm's fund investments to comply with the Volcker rule, the estimated SLR is ≥5.2%

[1] Basel III Transitional Ratio and Basel III RWAs are calculated under the Advanced approach on a transitional basis based on the Federal Reserve Board's final Basel III rules
[2] SLR reflects our best estimate based on the U.S. Federal bank regulatory agencies' final rule
[2] Estimated SLR including the capital impact of reducing the firm's fund investments to comply with the Volcker rule

Conservative and Comprehensive Liquidity Risk Management

Excess Liquidity

- Our most important liquidity policy is to prefund estimated potential liquidity needs in a stressed environment
- Our GCE consists of cash and highly-liquid government and agency securities that would be readily convertible to cash in a matter of days
- GCE size is based on:
  - Modeled assessment of the firm's liquidity risks, including contractual, behavioral and market-driven outflows
  - Qualitative assessment of the conditions of the financial markets and the firm

Asset-Liability Management

- Conservative asset and liability management to ensure stability of financing
- Focus on size and composition of assets to determine appropriate funding strategy
- Secured and unsecured financing sufficiently long-term relative to the liquidity profile of our assets in order to withstand a stressed environment without relying on asset sales
- Consistently manage overall characteristics of liabilities, including term, diversification and excess capacity

Rigorous and conservative stress tests underpin our excess liquidity and asset-liability management frameworks

Excess Liquidity

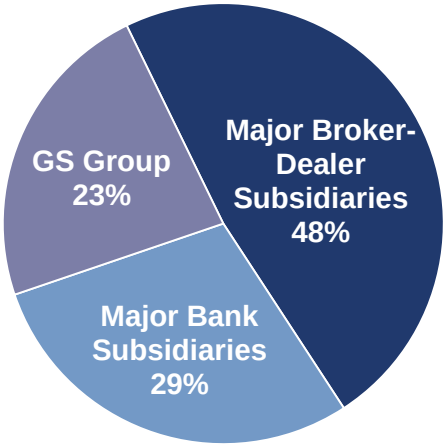
We maintain material liquidity reserves

- Our liquidity resources are substantial, reflecting 21% of our balance sheet in 3Q14
- As of 2Q14, roughly 75% of our liquidity pool was made up of U.S. government obligations, overnight cash deposits (which are mainly at the Federal Reserve) and U.S. federal agency obligations, with the balance in high quality foreign governments
- Our GCE is held at our parent company and each of our major bank and broker-dealer subsidiaries to ensure that liquidity is available to meet entity requirements

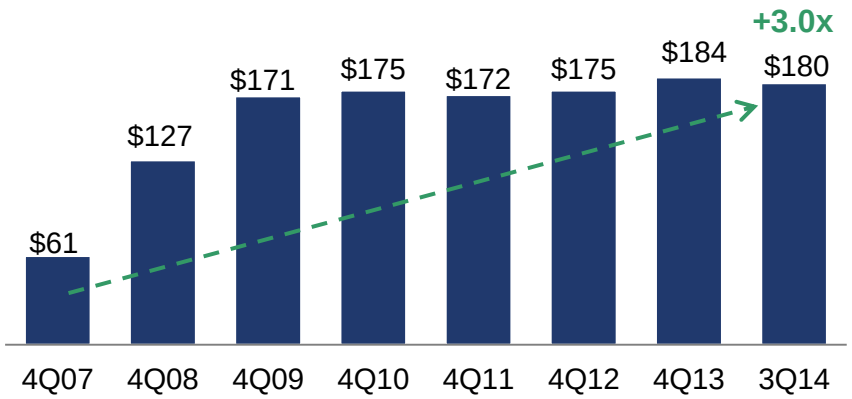
We continually enhance the models that drive the size of our GCE

- Our Modeled Liquidity Outflow reflects potential contractual and contingent outflows of cash or collateral
- We continue to make improvements to our models and can more granularly assess idiosyncratic risks in our businesses

2Q14 Average GCE by Entity



End of Period GCE Trend ($bn)[1]



Per the final rules, we estimate that we currently exceed the fully phased-in 100% LCR requirement

[1] *Prior to 4Q08, GCE reflects loan value and subsequent periods reflect fair value*

Asset-Liability Management

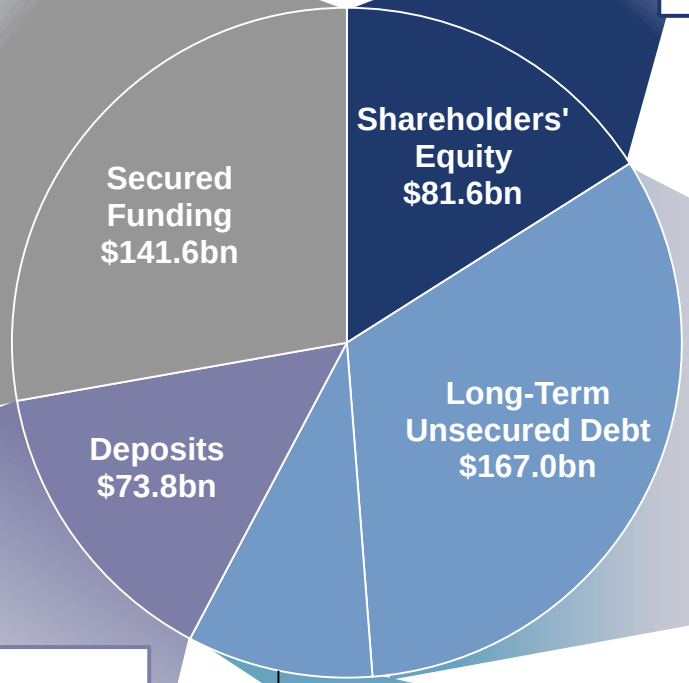
- We actively manage and monitor our asset base, with particular focus on liquidity and potential holding period
- Through our dynamic balance sheet management process, we use actual and projected asset balances to determine our funding requirements
- We conservatively manage the overall characteristics of our funding book, with a focus on maintaining long-term, diversified sources of financing with tenors appropriate for the anticipated holding period of our assets
- Our plans are reviewed by the firmwide Finance Committee as well as senior managers in our independent control and support functions

		Principal Sources of Funding			
As of 2Q14	**% of Total Assets**	**Equity and Long-term Debt**	**Deposits**	**Secured Funding**	**Trading Liabilities**
Excess Liquidity and Cash	20%	✓	✓		
Secured Client Financing	24%			✓	✓
Institutional Client Services	45%	✓	✓	✓	✓
Investing & Lending Assets	8%	✓	✓		
Other Assets	3%	✓			
Total Assets	**$859.9bn**				

Diversification of Core Funding Sources

2Q14

- Nearly one-half of our secured funding book is in GCE-quality collateral[1]
- Our secured funding book is diversified across:
  - Counterparties
  - Tenor
  - Geography
- Term is dictated by the composition of our fundable assets with longer maturities executed for less liquid assets



- A significant, stable and perpetual source of funding

- Well diversified across the tenor spectrum, currency, investors and geography
- Weighted average maturity of long-term debt of 8 years

- Deposits have become a larger source of funding
- We are focused on contractual term: 31% of our deposits are brokered CDs with approximately 3-year weighted average maturity

- Short-term unsecured debt includes $27.4bn of the current portion of our long-term unsecured debt

[1] *Based on gross secured funding trades*

Secured Funding Principles

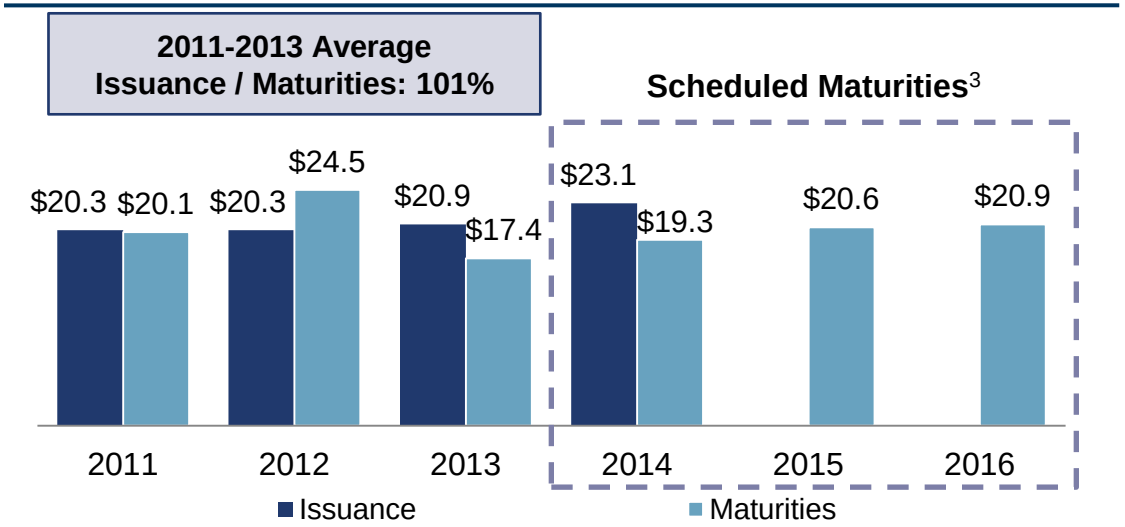
We manage our secured funding liquidity risk with:

1	**Term**	■ Extending initial trade tenors and managing maturities ■ Pre-rolling and negotiating tenor extensions with clients ■ Longer tenors targeted for less liquid assets
2	**Diversity**	■ Raising secured funding from a diverse set of funding counterparties
3	**Excess Capacity**	■ Raising excess secured funding to insure against rollover risk or growth in assets to finance
4	**GCE**	■ We raise excess unsecured funding and hold as GCE to mitigate any 1-month modeled liquidity losses
5	**Stress Tests**	■ Imposing stress test limits to ensure we do not have excessive liquidity risk even in a severe scenario — "Funding at Risk" (FaR) uses various metrics over various time periods to evaluate the risks in the secured funding book — Matched book ("Cash gap")

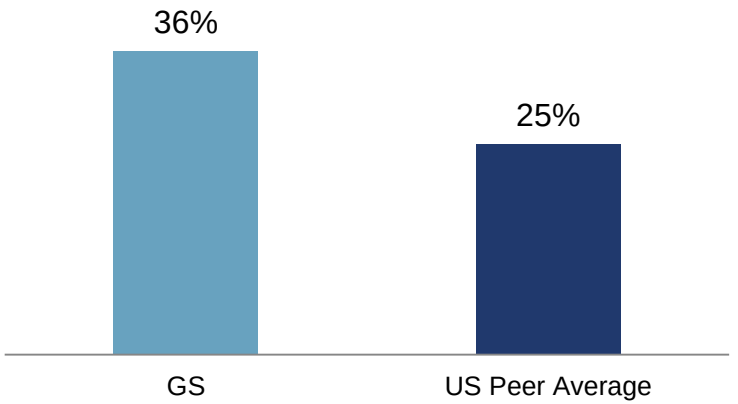
Unsecured Long-Term Issuance

- Through 3Q14, we have raised $23.1bn of long-term benchmark unsecured vanilla funding, including $17.6bn of fixed-rate notes, $3.5bn of floating-rate notes, and $2.0bn of perpetual preferred
  - 9.7 year weighted average initial maturity at issuance compared to the ~8 year WAM of the entire long-term debt portfolio
- Diversification across currency, channel and tenor remains a key focus
  - ~40% of our year-to-date issuance has been from non-USD institutional markets
  - Issuance was conducted across the tenor spectrum, with 3, 5, 7, 10 and 30 year maturities. Additionally, we issued several notes with non-round tenors to improve maturity diversification
- Going forward, we expect issuances to roughly match maturities over time, nevertheless, issuance targets will be revisited frequently depending on the size and composition of our balance sheet
- With respect to potential OLA bail-in requirements, we believe we are well positioned with estimated bail-in capital[1] equal to 36% of total Basel III Advanced RWAs

GS Group Long-Term Vanilla Benchmark Issuance vs. Maturities ($bn)



2013 Estimated Bail-In Capital as a % of Fully Phased-In Advanced Basel III RWAs[1,2]



[1] Bail-in capital is defined as Basel 3 Tier 1 Capital, Holding Company long-term debt (due in >1yr) and Holding Company subordinated debt. Basel 3 Tier 1 Capital per company filings; Holding Company data per Bank Holding Company Performance Reports (BHCPRs) as of 4Q13

[2] US Peers include JP Morgan, Morgan Stanley, Bank of America and Citigroup

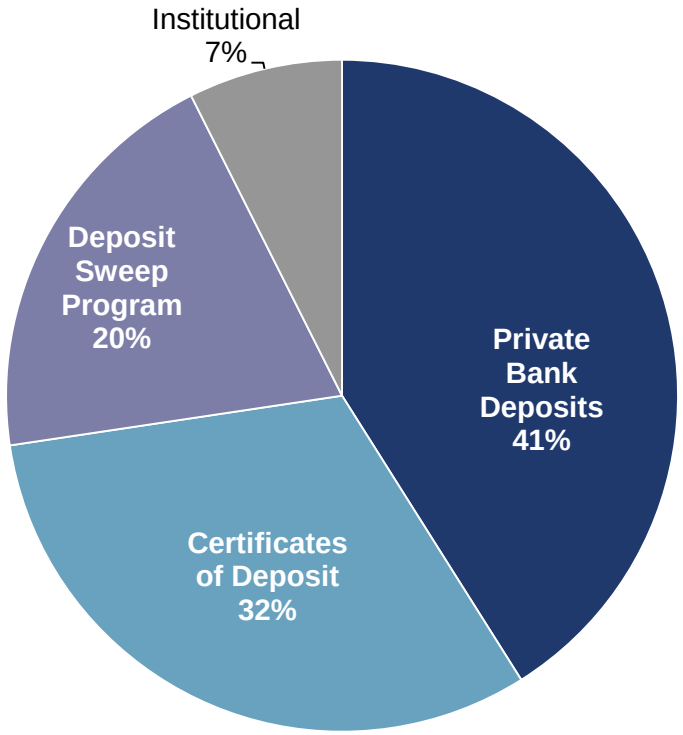
[3] Includes the current portion of long-term debt

Deposits

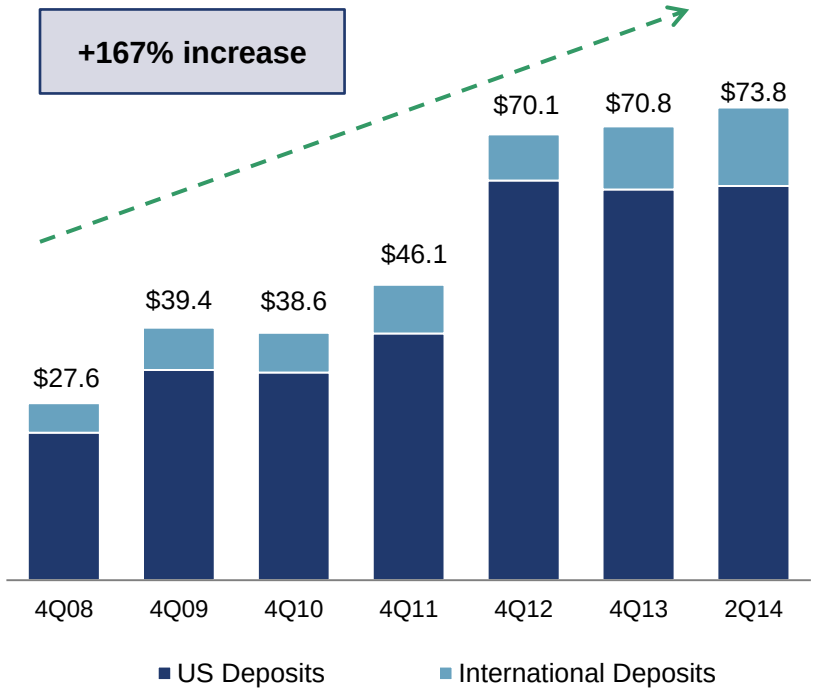
As of 2Q14

- As part of the Firm's efforts to diversify its funding base, deposits have become a more meaningful share of the Firm's funding activities, and the Firm has more than doubled its deposit funding since late 2008
- In particular, GS Bank USA has raised deposits with an emphasis on issuance of long-term certificates of deposit, private bank deposits and long-term relationships with broker-dealer aggregators where they sweep their client cash to an FDIC-insured deposit at GS Bank USA
- GS International Bank, our main deposit-taking entity in Europe, raises deposits largely in the form of fixed term and on-demand deposits

Deposits: $73.8bn 9% of Liabilities



Deposit Growth Trends ($bn)



Credit, Market & Operational Risk Management Policies

- Exposures and policies reviewed regularly
- Multiple risk metrics used to monitor and manage exposures
- Extensive investment in Credit, Market and Operational Risk groups
- Frequent reporting to / communication with senior management

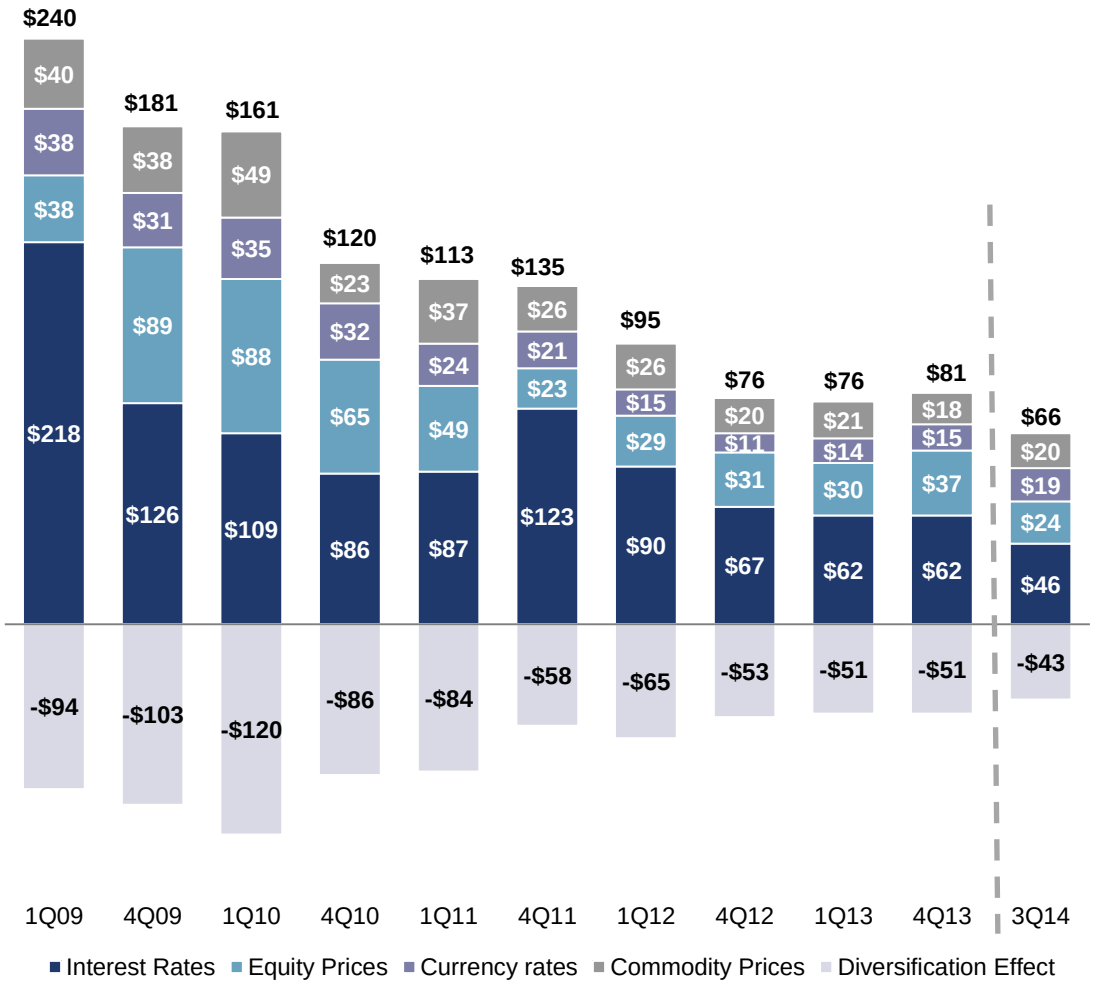
	Market Risk	Credit Risk	Operational Risk
Risk Overview	■ **Potential loss from changes in market prices**	■ **Risk related to failure of counterparties to fulfill financial and contractual obligations**	■ **Risk of loss resulting from a failure of internal processes, people and systems or from external events**
Management	■ Allocate risk limits to business level and control position sizes	■ Set and monitor current and potential counterparty credit exposure levels	■ Set comprehensive risk policies, enforcing, monitoring and measuring performance through various benchmarks, and active participation
Committee Oversight	■ **Firmwide Risk Committee** reviews the activities of existing businesses, approves new businesses and products, approves firmwide market risk limits and reviews business level market risk limits	■ **Firmwide Risk Committee** reviews existing counterparty credit positions, approves firmwide credit risk limits and reviews business level credit risk limits	■ **Firmwide Operational Risk Committee** provides oversight of operational risk policies, framework and methodologies, and monitors the effectiveness of operational risk management
Controls & Active Management	■ **Market Risk Management & Analysis** managers in revenue-producing units discuss market information, positions and estimated risk and loss scenarios on an ongoing basis	■ **Credit Risk Management & Advisory** centrally manages and controls counterparty credit exposures through the establishment of limits, use of collateral and netting agreements	■ **Operational Risk Management & Analysis** centrally manages implementation of the framework and business level managers actively manage and monitor exposures to operational risks

Market Risk Related Metrics

($ in millions)

10% Sensitivity Table

	June 2014	March 2014
Asset Categories		
Equity	$2,259	$2,243
Debt	$1,727	$1,506
Total	**$3,986**	**$3,749**

- **The size of the aggregate 10% sensitivity has decreased by 24% since 4Q07**

Average Daily VaR ($mm)